

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ADP-00 CIAE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

AID-20 COME-00 EB-11 FRB-02 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NEA-10 IO-13 CEA-02 STR-08 AGR-20

RSR-01 /192 W

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P 220805 Z JUN 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 6131

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 7198

USADB

TREASURY FOR COAR

E. O. 11652 ADS, DECLAS 6/30/74

TAGS: EFIN, EAID

SUB: PASSMAN HEARINGS INFORMATION

1. LAND REFORM. THE BANK HAS NOT ENGAGED IN ANY DIRECT ASPECT OF LAND REFORM TO DATE. BANK'S MOST OBVIOUS MEANS OF ASSISTANCE WOULD BE IN PROVIDING LOCAL CURRENCY SUCH THAT THE GOVERNMENT COULD PURCHASE LAND HOLDINGS FOR REDISTRIBUTION. SINCE BANK DOES NOT PROVIDE LOCAL COST FINANCING UNDER CURRENT LENDING GUIDELINES, IT HAS NOT ENGAGED IN LAND REFORM.

2. COOPERATIVES. NUMEROUS BANK LOANS CHanneled THROUGH AND EMPLOY COOPERATIVES FOR IMPLEMENTATION. LOANS FOR FISHERY DEVELOPMENT CASE IN POINT. RECENT BANK LOANS MADE TO KOREA, SRI LANK, AND BANGLADESH IN WHICH COOPERATIVES PLAY MAJOR ROLE. IN KOREA, COOPERATIVES BENEFITED FROM BANK LOAN TO PURCHASE MARINE ENGINES AND EQUIPMENT FOR THEIR MEMBERS.

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SAME PRACTICE FOLLOWED IN SRI LANKA. WITH REGARD TO THE BANGLADESH FISHERIES LOAN, COOPERATIVES WILL BE USED TO OPERATE AND MAINTAIN ICE- MAKING PLANTS TO BE CONSTRUCTED UNDER TERMS OF THE LOAN.

REGARDING COOPERATIVE PARTICIPATION, THE OPERATIVE FACTOR FREQUENTLY BORROWING COUNTRY'S WISHES AND NOT THOSE NECESSARILY OF BANK. IN SRI LANKA AND BANGLADESH SPECIFICALLY, BANK HAD LITTLE CHOICE BUT TO ACCEPT THE COOPERATIVES AS AGENT FOR PROJECT IMPLEMENTATION SINCE COOPERATIVE ACTIVITIES STRONGLY SUPPORTED BY BOTH GOVERNMENTS. SAME BASICALLY TRUE FOR KOREA.

3. RELENDING RATES. IN MAKING LOANS TO NATIONAL DEVELOPMENT BANKS, BANK RETAINS RIGHT OF APPROVAL OF RELENDING TERMS FOR SUBLOANS FROM RECIPIENT DEVELOPMENT BANK. GENERAL BANK GUIDANCE SPECIFIES RELENDING RATES SHOULD INCLUDE INTEREST RATE SPREAD SUCH THAT NATIONAL DEVELOPMENT BANK ABLE TO COVER ADMINISTRATIVE AND OPERATING COSTS ASSOCIATED WITH THE RELENDING ACTIVITY. IN PRACTICE, ACCEPTABLE SPREAD BETWEEN 2 1/2 AND 3 PERCENTAGE POINTS.

IN THE CASE OF SPECIAL FUNDS LOANS TO NATIONAL DEVELOPMENT BANKS, SPREAD BETWEEN BANK LENDING RATE AND RELENDING RATE OF NATIONAL DEVELOPMENT BANK CAN BE CONSIDERABLE. HOWEVER THE BANK'S LOAN IN THESE INSTANCES IS MADE DIRECTLY TO BORROWING GOVERNMENT WHICH RELOANS THE PROCEEDS TO THE DEVELOPMENT BANK IN QUESTION AT RATES SUFFICIENT TO ALLOW THE DEVELOPMENT BANK TO COVER ITS ADMINISTRATIVE AND OPERATING COSTS ON SUBLENDING. IN INDONESIA, FOR EXAMPLE, BANK HAS MADE LOANS TO THE GOVERNMENT AT 2 1/2 PERCENT. GOVERNMENT RELEND TO THE DEVELOPMENT BANK WHICH MAY CHARGE A MAXIMUM OF 12 PERCENT ON ITS SUBLENDING. CONSEQUENTLY IN REPUBLIC OF INDONESIA, AND NOT DEVELOPMENT BANK, REAPS THE BENEFIT OF CONSIDERABLE SPREAD BETWEEN ADB LENDING RATES AND THE REPUBLIC OF INDONESIA RELENDING RATE, AND, BY SO DOING, ABLE TO GENERATE INTERNAL FUNDS FOR FURTHER DEVELOPMENT PURPOSES.

GOVERNMENT AND NOT REPEAT NOT PRIVATE OR SEMI- PRIVATE INSTITUTION BENEFITS FROM SPREAD IN INTEREST RATES.

AS POINT OF INFORMATION, IN NO CASE HAS RELENDING RATE TO ULTIMATE USER FROM BANK LOAN TO ANY NATIONAL DEVELOPMENT BANK EXCEEDED 12 PERCENT (FOR SPECIFIC DATA ON LOAN/ SUBLOAN RATES, CONFIDENTIAL

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SEE " LENDING AND RELENDING POLICIES" WORKING PAPER 1-73, 29 JAN 1973, APPENDIX I).

4. REPAYMENT SCHEDULES. PROJECTED LOAN COMMITMENTS FROM ORDINARY CAPITAL: 1973- \$250 M; 1974- \$275 M; 1975- \$300 M. PROJECTED LOAN REPAYMENTS FROM ORDINARY CAPITAL LOANS: 1973 -\$9.0 M; 1974 -

\$13.3 M; 1975- \$23.6 M. PROJECTED LOAN DISBURSEMENTS FOR ORDINARY CAPITAL LOANS: 1973 -\$95.8 M; 1974- \$\$135.5 M; 1975 -\$176.0 M. PROJECTED LOAN COMMITMENTS FROM SPECIAL FUNDS: 1973- \$175 M; 1974 -\$240 M; 1975 -\$300 M. NO SIGNIFICANT LOAN REPAYMENTS SCHEDULED FOR 1973 -1975 PERIOD SINCE FIRST SPECIAL FUNDS LOAN BECAME EFFECTIVE ONLY IN 1969. FIVE- YEAR GRACE PERIOD GENERALLY MINIMUM FOR SPECIAL FUNDS LOANS. THUS SPECIAL FUNDS LOAN REPAYMENTS NEGLIGIBLE THROUGH 1975. PROJECTED LOAN DISBURSEMENTS FOR SPECIAL FUNDS LOANS 1973 -\$33 M; 1974 -\$63 M; 1975 -\$105 M.

5. REVENUE LOSS FROM TAX EXEMPT PROVISIONS: FOLLOWING IS INFORMATION AS OF 18 JUNE 1973 ON U. S. NATIONALS REGARDING SALARY LEVEL, DATE OF APPOINTMENT, AND NUMBER OF DEPENDENTS SUCH THAT ROUGH ESTIMATES MAY BE CALCULATED.

READ IN FOUR (4) COLUMNS

DESIGNATION DATE OF APPOINTMENT ANNUAL SALARY (US\$) NO. OF DEPENDENTS

GENERAL COUNSEL	12/5/69	30,000	4
PROJECT MANAGER	8/28/69	26,030	5
CHIEF ECONOMIST	6/5/69	24,460	3
OPERATIONS MANAGER	12/30/67	23,470	4
OPERATIONS MANAGER	6/26/68	22,910	3
SR. PROJECT ENGINEER	11/18/71	22,190	5
SR. TREASURY OFFICER	4/26/69	21,820	6
SR. OPERATIONS OFFICER	11/3/71	20,650	3
ADMINISTRATIVE OFFICER	6/25/71	20,030	2
LEGAL OFFICER	3/6/70	20,010	2
SR. OPERATIONS OFFICER	9/8/72	20,000	6
LEGAL OFFICER	8/26/72	19,500	3

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INFO OCT-01 EA-11 ADP-00 CIAE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

NEA-10 AID-20 COME-00 EB-11 FRB-02 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 IO-13 CEA-02 STR-08

AGR-20 RSR-01 /192 W

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P 220805 Z JUN 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 6132

C O N F I D E N T I A L SECTION 2 OF 2 MANILA 7198

PROJECT ECONOMIST 1/1/72 19,080 1
OPERATIONS OFFICER 8/1/72 18,500 2
SR. FINANCIAL ANALYST 5/17/71 18,450 5
ECONOMIST 6/5/70 18,080 5
PROJECT ENGINEER 8/28/72 17,000 2
PROJECT ENGINEER 9/28/71 15,230 4
ECONOMIST 2/22/70 14,990 -
PROJECT ECONOMIST 6/27/71 13,000 1

6. STAFF LOANS. UNDERSTAND THAT IN PREVIOUS INSTANCES SPECIFIC DATA ON LOAN AMOUNTS PER BORROWER PROVIDED ON NAME BASIS BY BANK FOR U. S. NATIONALS ONLY. FOLLOWING IS IDENTICAL IN DETAIL TO INFORMATION PROVIDED TO COMMITTEE ON TWO PREVIOUS OCCASIONS. SHOULD REMAIN CONFIDENTIAL TO PREVENT EMBARRASSMENT TO U. S. STAFF AT ADB AND THEREFORE AVOID POSSIBLE REACTION ON PART OF STAFF TO BANK DISCLOSURE POSSIBLY LEADING TO DIFFICULTIES IN OBTAINING FUTURE INFORMATION. DATA EFFECTIVE 18 JUNE 1973.

I. OUTSTANDING SALARY ADVANCES:

A. SALARY ADVANCE AT ARRIVAL (EQUIVALENT TO 3 MONTHS SALARY AND ADDITIONAL ADVANCE UP TO A MAXIMUM OF \$2,000.00) -\$100,909.92

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B. SPECIAL SALARY ADVANCE ON COMPASSIONATE GROUNDS 13,788.74
TOTAL: \$114,698.66

II. NUMBER OF PEOPLE WHO HAVE OUTSTANDING ADVANCES:

A. DIRECTORS/ ALTERNATE 10
B. PROFESSIONAL STAFF 29
C. NON- PROFESSIONAL STAFF 166
TOTAL 205

AVERAGE LOAN OUTSTANDING \$559.51

III. OUTSTANDING SALARY ADVANCE OF EACH AMERICAN CITIZEN:

1. R. JACKSON \$1,860.20
2. C. GORDON 2,069.09
3. E. CHOBANIAN 278.76
TOTAL \$4,208.05

NOTE: SALARY ADVANCES ON ARRIVAL UP CONSIDERABLE IN LAST
SEVERAL MONTHS DUE TO NUMEROUS CHANGES IN BOARD AND NEW STAFF
ARRIVALS. (SEE FOR COMPARISON DATA IN CONGRESSIONAL HEARINGS
BRIEFING BOOK -- LANGE BOOKCASE.)

7. CONSULTANT DATA TO FOLLOW, HOPEFULLY EARLY NEXT WEEK.
HAMILTON

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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: willialc
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MANILA07198
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: ADS, DECLAS 6/30/74
Errors: n/a
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730626/aaaajkhc.tel
Line Count: 235
Locator: TEXT ON-LINE
Office: ACTION TRSE
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: willialc
Review Comment: n/a
Review Content Flags:
Review Date: 28 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28-Aug-2001 by boyleja>; APPROVED <29-Aug-2001 by willialc>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980219
Subject: PASSMAN HEARINGS INFORMATION
TAGS: EAID, EFIN
To: MANILA
SECSTATE WASHDC
TRSE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005